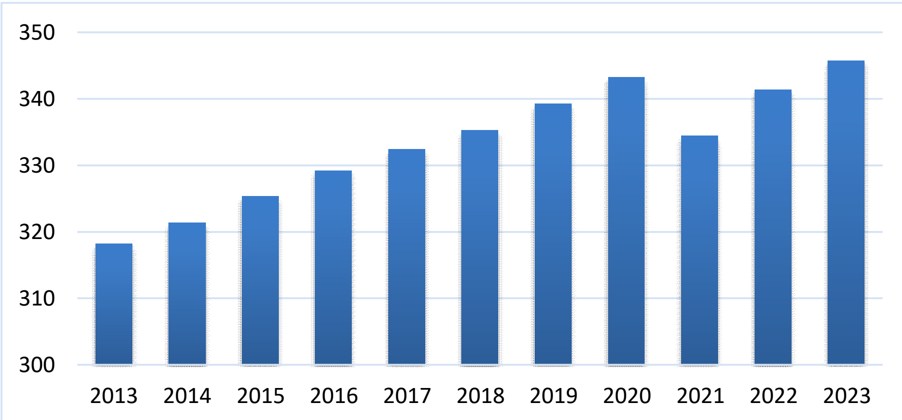
COMMUNITY NEEDS & RESOURCES INDICATORS

POPULATION

(In Thousands)

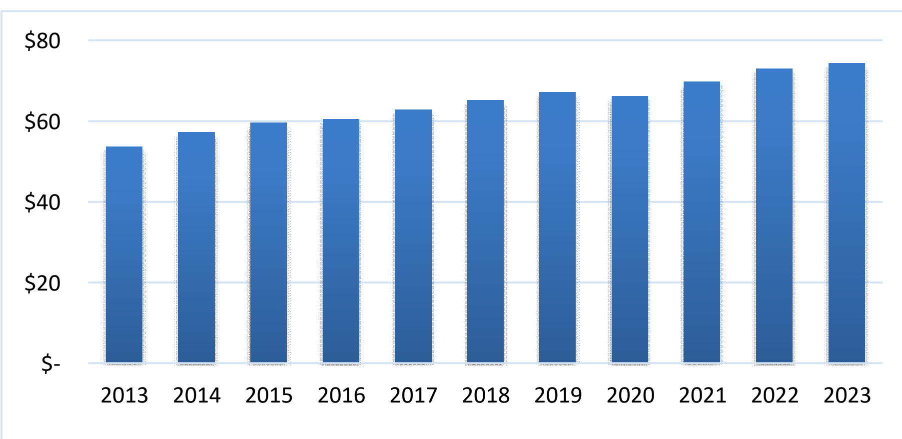


Empirical evidence indicates that changes in population can have a direct effect on a locality's revenue because of the impact upon related factors, such as employment, income, and property value. A sudden increase in population can create immediate pressures for new capital outlays, infrastructure and for higher levels of service, particularly in the areas of education and recreation. A locality faced with a declining population is rarely able to reduce expenditures at the same rate as population loss, as many expenditures such as debt service, government mandates, and salaries are fixed and cannot effectively be reduced in the short run.

Henrico's population grew by roughly 4,350 residents in FY23, increasing for the second year in a row. After a concerning drop in FY21, population changes have returned to accustomed levels of growth. This continued growth suggests that FY21 was an outlier and not indicative of a greater threat to the economic and social health of the County.

PER CAPITA INCOME

(In Thousands)

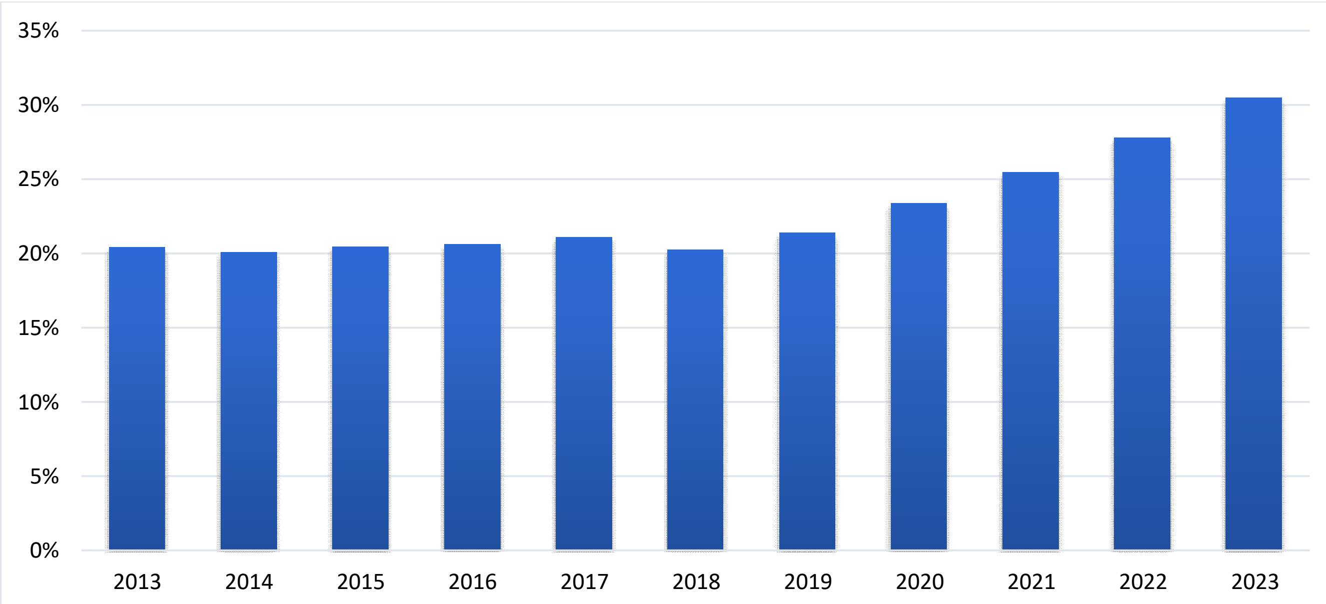


Per capita income is a measure of a community's overall wealth. Credit rating agencies use per capita income as an important indicator of a local government's ability to repay debt. A decline in per capita income may result in a drop in consumer purchasing power and can provide advance notice that businesses will suffer a decline that can ripple through the rest of the local economy. Changes in per capita income are especially important for communities that have little commercial or industrial tax base because personal income is the primary source from which taxes can be paid.

Per capita income in FY23 increased to $74,350 per person from $72,940 in FY22, a 1.9% increase. This increase is in line with normal economic trends and rising salary costs, in part to combat inflation.

PUBLIC ASSISTANCE RECIPIENTS

(As a % of Total Population)

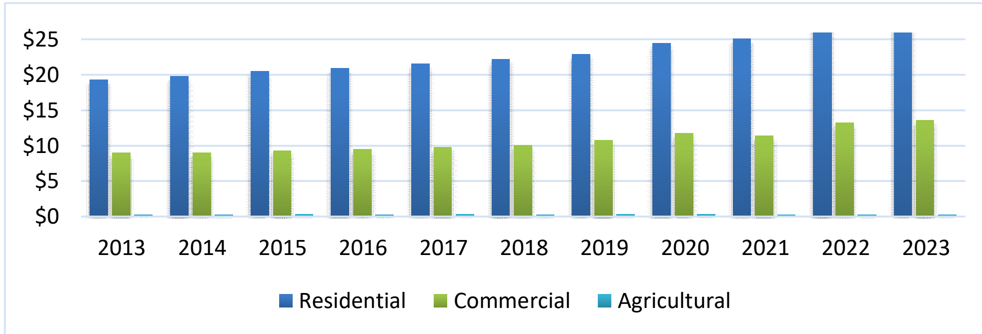


This trend is generally associated with a decline in personal income. The indicator measures the number of public assistance recipients against the number of residential households in the County. An increase in the number of public assistance recipients can signal a future increase in expenditures because of the relatively higher needs of low-income residents combined with their relative lack of personal wealth.

Public assistance recipients continued to rise in FY23, experiencing the highest levels in an 11-year timespan at a rate of 30.5%, a 2.7% increase from FY22. Rates increased in FY10 in response to the Great Recession and then remained relatively stable at approximately 20% from FY12 through FY18. With the U.S. economy already slowing down, the COVID-19 pandemic exacerbated market conditions, leading many to seek public assistance through government stimulus funding. Furthermore, Medicaid expansions have approved additional subsets of applicants, creating a wider pool of people eligible for public assistance.

REAL PROPERTY VALUES

(In Constant Dollars, Billions)

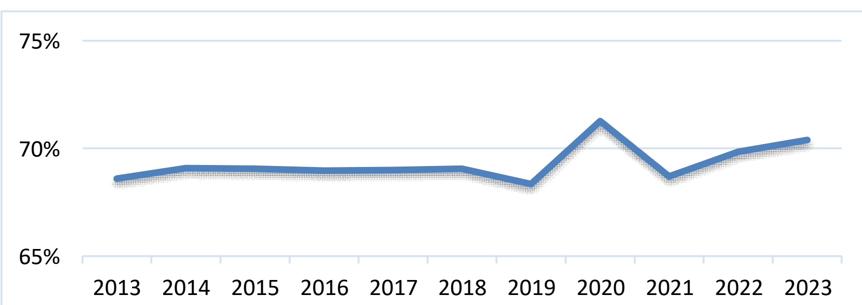


Changes in real property values are important as property taxes tend to be the largest source of revenue for localities. If a locality has a stable tax rate, the tax revenues will increase with property values. Localities experiencing rapid population and economic growth are likely to experience growth in property values in the short run. This is because the supply of housing is fixed in the short-term and the increase in demand due to growth will force prices up. The extent to which declining real property values affect a locality's revenues will depend on the locality's reliance on property tax revenue versus other revenue sources.

Residential real property values continue to increase on a constant dollar basis and currently exceed FY09 levels. At that time, real property values were at an all-time high before the housing crisis. Despite high mortgage rates, demand for homes has continued to exceed average annual transactions. This is a nationwide trend due to limited housing supply and increased location flexibility due to remote work. **Real property taxes are an inelastic revenue source and indicate healthy continued revenues in the future.** Commercial real property values continue to grow following the decline in FY21, while agricultural real property values remain consistent with FY22.

RESIDENTIAL DEVELOPMENT

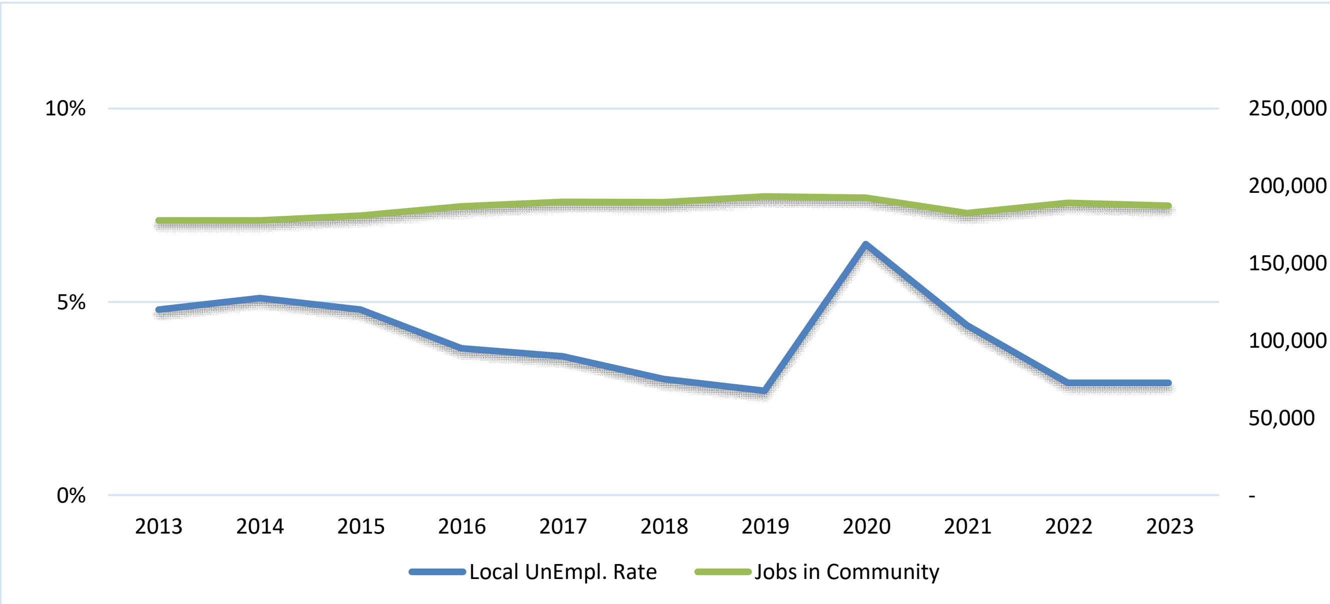
(As a % of Total Property)



The net cost of servicing residential development is generally higher than the net cost of servicing commercial or industrial development due to the related demands for public services such as Public Safety, Public Utilities, and Education. This demand also impacts the location of new residential development as houses built outside of current service areas can impose greater initial costs to localities than houses built within developed areas. The extent to which new residential development affects the financial condition of a community will depend on the community's economy, tax structure, and expenditure profile. A locality must balance development type with current zoning and availability of public services to maintain fiscal viability. Henrico County has determined that a 70.0% level of residential valuation is optimal.

Residential development increased slightly in FY23 to 70.4%, up 0.6% from FY22. Levels remain stable with only slight variances year to year. The population increase and additional demand for housing witnessed over the past two years may have driven the rebound in development.

EMPLOYMENT BASE

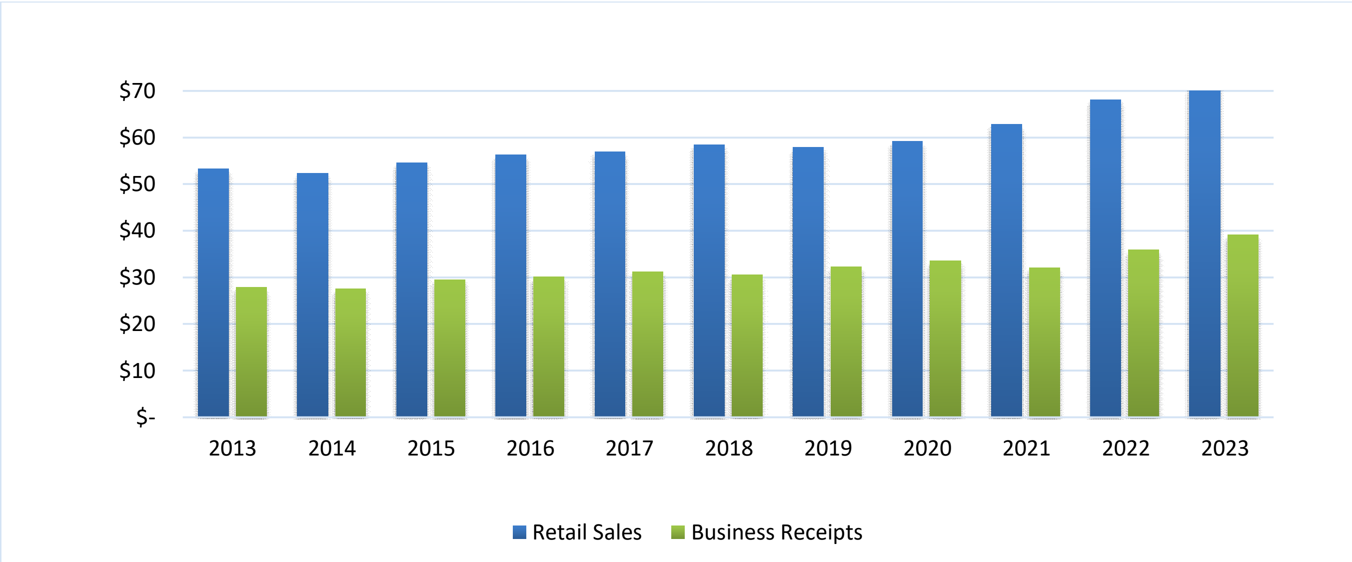


Employment base considers the unemployment rate and the total number of jobs within the locality. This indicator is significant because it is directly related to the levels of business activity and personal income. The two trend lines tend to move in opposite directions. Changes in the number of jobs provided by the community are a measure of business activity and changes in the rate of employment of the community's residents is related to fluctuations in personal income and, thus, is a measure of the community's ability to support its local business sector. A change in employment base can provide preliminary information on business sector changes and provide notification if further research is warranted.

Total jobs in the community decreased by roughly 1,700 while the unemployment rate remained stagnant at 2.90%. This slight decrease in job growth levels off FY22's increase. The low unemployment rate is still an indication of a healthy and recovered economy, as many economists consider 3% to reflect "full employment".

LOCAL RETAIL SALES & BUSINESS LICENSE RECEIPTS

(In Constant Dollars, Millions)



The level of business activity can provide information about a locality's financial condition in two ways:

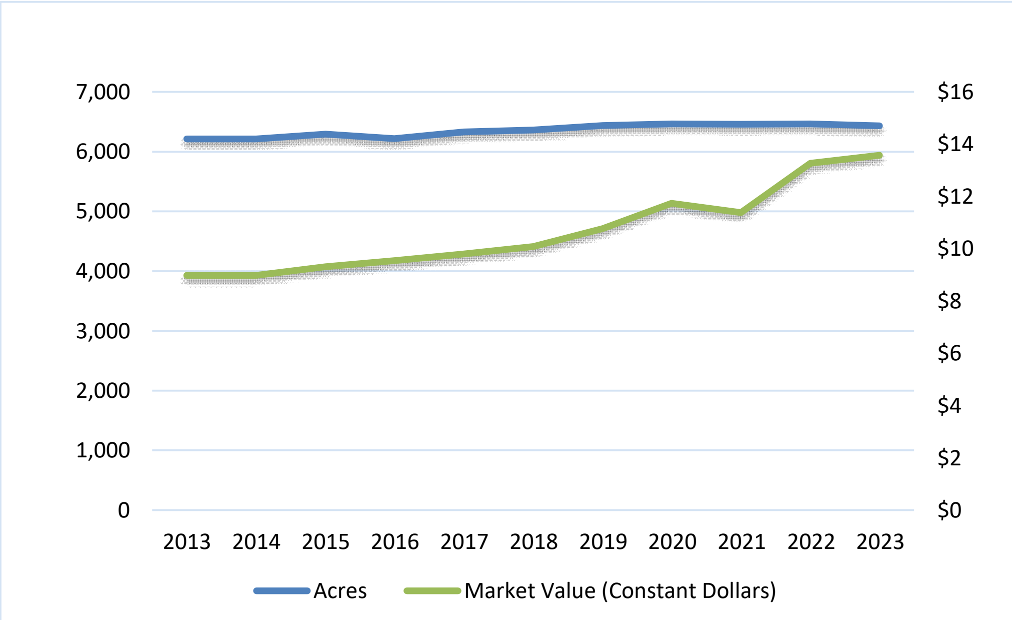
1. It directly affects revenue yields of sales taxes and gross receipts taxes as these are direct products of business activity.

2. There is an indirect effect on other demographic and economic areas such as employment base, personal income, or property values. A decline in business activity will tend to have a negative impact on employment base, personal income and/or commercial property values.

Retail sales increased for the fourth consecutive year in FY23, reaching all-time highest levels in the FTMS. Business license receipts also increased, up approximately $3.2 million from FY22. Both indicators remain stable relative to prior fiscal years.

COMMERCIAL ACRES & MARKET VALUE OF BUSINESS PROPERTY

(In Constant Dollars, Billions)



Another measurement of business activity is the Commercial Acres & Market Value of Business Property indicator. As previously noted, there must be balance of land uses in a locality to ensure that the higher costs of residential areas are off-set by lower-cost commercial and industrial areas, which are monitored through commercial acreage. Similarly, the value of business property can be indicative of the overall health of a business as it is common practice to determine fair market value of a commercial property through use of a business' Net Operating Income.

The market value of business property increased by 2.33% in FY23, a slight gain following a large increase in FY22, the outcome of a post-pandemic economic rebound. Future development may see select commercial properties redeveloped for residential or mixed-use projects. **Commercial acreage, like fiscal years prior, remained largely constant.**